

THE WORLD OF TO-DAY

22.

THE EXCHEQUER
AND THE CONTROL OF EXPENDITURE

BY
R. G. HAWTREY

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THE EXCHEQUER
AND THE CONTROL OF EXPENDITURE

THE WORLD OF TO-DAY

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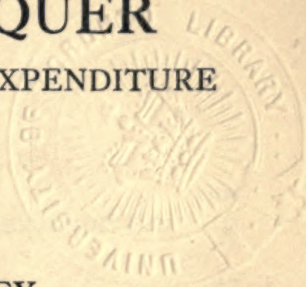
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1921

THE WORLD OF TO-DAY

THE EXCHANGE



R. G. HARRIS

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THE EXCHEQUER AND THE CONTROL OF EXPENDITURE

CHAPTER I

THE PARLIAMENTARY VETO ON EXPENDITURE

THE British financial system fulfils two distinct functions, administrative and constitutional. The administrative function, being inherent in the working of the Government, is under daily observation ; the constitutional function, on the contrary, consists of sanctions and safeguards which, just because they are adequate, remain in the background and do not attract attention. People assume that Parliamentary Government is securely founded on agreement and custom, and they come to regard the procedure through which the responsibility of the executive is ultimately enforceable as an empty ritual. So regarded, it tends to lose its virtue, and there is a danger that infractions, not merely of constitutional usage, but of law, may come to be passed over as tiresome technicalities of no practical significance.

In the present chapter and the next we shall deal with the constitutional side of the financial system, and shall pass to the administrative in Chapter III. To understand the constitutional machine, we must ask the purpose of each part ; we must find what was in the minds of those who devised it. In other words we must consult history.

For more than fifty years our financial system has been governed by the Exchequer and Audit Departments Act of 1866. Changes of practice have crept in, and one or two amendments have been made in the Act itself. But substantially the system remains as it was. The history we have to study is that which preceded the passage of

the Act. The Act itself did not set up a new system. The greater part of it merely re-enacted existing institutions, some statutory, some merely customary, with modifications here and extensions there. It was the climax of a long evolution.

The centre of interest throughout is the Exchequer. What is the Exchequer? Many people who speak glibly of the Exchequer would be puzzled to say exactly what it is. They often conceive it as a receptacle. Though the great chests in which the officers of the Exchequer used to keep the public money have been replaced by credits at the Bank of England and the Bank of Ireland, we speak of money being paid into and out of the Exchequer as if the chests were still there.

But the Exchequer is not a receptacle. It is a Government Department.¹ Its function, through its many transmutations, has always been to see that public money is applied according to law. For many centuries its responsibility was solely to the executive, that is to say to the Crown. But since the Revolution of 1688 it has gradually become responsible to Parliament, and in particular to the House of Commons. The basis of Parliamentary Government is the control of the executive ✓ through a Parliamentary veto on raising and spending money. Originally the veto was applied only to the *raising* of money. Legislation was necessary to place any legal obligation on the taxpayer, and the authority of Parliament was enforced by the refusal of the taxpayer to pay in the absence of that legal obligation. In the seventeenth century Parliament found that its control of the executive was incomplete. All the old tricks for raising money, through benevolences, monopolies, and other applications of the royal prerogative or of the royal influence, had been stopped. Nevertheless the king could still manœuvre Parliament into voting money. He could ask for money for a popular purpose, such as a Dutch war, could spend it on something else, and could then ask for more. The Commons might grumble and protest, but the

¹ It is entirely distinct from the Treasury, though the Treasury originated in the Middle Ages as a branch of the Exchequer.

money was exhausted, the need was indisputable, and they found their hands forced.

The remedy was found in limiting not merely the *raising* but the *expenditure* of public money by statute. Here, however, a practical difficulty arose. The individual rights of the taxpayer were an adequate safeguard against the infringement of the Parliamentary veto on taxation. But there was no similar automatic check upon the infringement of the Parliamentary veto on expenditure. Creditors of the Government could not be expected to refuse payment from a Public Department as not being in accordance with Parliamentary authority.

In the first instance Parliament relied on the Exchequer. That Department, no longer limited to seeing that payments were not made without proper executive authority, had also to require proper Parliamentary authority. Money was issued from the Exchequer for each service only up to the amount that Parliament had voted for the service.

It is curious that for more than a century no one seems to have observed how illusory this control was. If every issue from the Exchequer had been a definite payment for an identifiable service, the officers of the Exchequer might have charged it there and then to the appropriate vote, and the exhaustion of the vote would have been disclosed by their books the moment it occurred. But this could not possibly be, and an understanding of the practical obstacles in the way of such a system is essential to an appreciation of public finance, not only in the past but in the present. Payments had to be made all over England, and indeed, especially in time of war, all over the world. The need for such payments arose out of local circumstances; they had to be authorised by local officers with delegated responsibility, and the payments had to be made from funds held locally. Abroad every regiment, every king's ship, every colonial governor, at home every local establishment, had to receive *advances* of cash, 'imprests' as they were (and still are) called. Such advances are not *expenditure*. Expenditure only occurs when money is paid over in consideration of services

rendered, goods delivered, or other obligations, and becomes the property of the recipient. An official who receives an imprest has to account for it. Only so much of it as he pays away for the services for which he received it is expenditure, and he remains indebted to the Government for the balance. The Government does not *know* what its expenditure in any period has been till the accounts of all imprests have been examined up to the end of the period.

Till 1834 some final payments were made by the Exchequer itself. But far the greater part of the money issued from the Exchequer was paid over to officials, such as the Paymaster-General of the Forces, the Treasurer of the Navy, or the Treasurer of the Ordnance, who acted as bankers for the services to which they were attached. These paymasters and treasurers in turn issued imprests to officers all over the world, so that even they did not know, without an examination of a crowd of detailed accounts, what their expenditure had really been. Administrative convenience, almost amounting to necessity, required local officers to make payments on account of a variety of services from one imprest. An imprest issued by the Treasurer of the Navy might be used partly for Army payments, one issued by the Paymaster of the Forces partly for civil payments.

It was no use requiring the Exchequer, subject even to penalties, only to issue money for the purposes authorised by Parliament; there was no security that the threat of penalties would be effective unless some process were set on foot for *discovering* any contravention of the directions of Parliament. It seems obvious enough that what was wanted was a subsequent independent audit. But Parliament did without an independent audit for any service till 1832, and did without an independent audit for all services till 1866. The fact is that the need for a rigid appropriation of public money was not felt. The subdivision of public expenditure into a hundred or more separate votes is only useful if Parliament wishes to exercise a very minute control over the administration. Such a subdivision supplies, as it were, a map of the whole

field of administration. Each activity of Government involves expenditure, even if it be no more than the salaries of a secretary and a few clerks or inspectors. Parliamentary control has grown to mean not merely a *general* veto on the aggregate of Government expenditure, but a *detailed* veto on the expenditure involved by each section of Government activity separately. And the veto is a lever for securing any desired change in any particular section.

Detailed control like this was not dreamt of in the eighteenth century. The civil expenses of government were provided for, along with the expenses of the royal family and the Court,¹ at the accession of each king by a statute which authorised the issue of a fixed annual sum from the Exchequer for the whole of his reign. Apart from some unimportant miscellaneous services, mostly non-recurrent, the system of *annual* votes, in which the Parliamentary veto on expenditure is embodied, was limited to the fighting services, the Army and Navy and Ordnance. Even in their case it was an understood thing that large sums might be spent in excess of the annual votes and submitted for subsequent Parliamentary sanction under such headings as 'Army Extraordinaries.'

As George III's long reign passed, it was found that a sum fixed for the civil establishments in 1760 became insufficient. Parliament had on several occasions to take special votes to pay off accumulated deficiencies in the form of debts charged on the Civil List. The Civil List was relieved from time to time in more permanent fashion by separate provision being made in annual votes for services previously met from it.

At last in 1830, on the accession of William IV, everything was excluded from the Civil List beyond the expenses of the royal family and the Court. All the expenditure of civil departments was provided separately, and, except in certain special cases, was provided by annual votes.

¹ Here also were provided the funds for corrupting Members of Parliament and the electors, and this may well have been, in the eyes of all parties, a sufficient reason for dispensing with any independent audit.

These special cases were limited to those which it was thought desirable to exempt from the hazards of an annual Parliamentary vote, and still more from the consequent annual Parliamentary criticism. The independence of the judges, for example, was safeguarded by making permanent provision for their salaries. The classes of annual expenditure thus charged on the Consolidated Fund (for that is the technical description of the arrangement) was still further narrowed in 1854. Full recognition has been given since that date to the principle that all public expenditure should be subject to an annual Parliamentary vote, unless there is some definite and adequate reason to the contrary.

The years following the accession of the Whigs and the party of reform to power in 1830 were a period of new brooms. One after another the sleepy fee-paid sinecures of the eighteenth century were swept away. The Exchequer was an obvious target for the economisers. By the Exchequer Act of 1834 the elaborate ritual of triple-locked chests and wooden tallies was discarded, and the costly hierarchy, the Auditor of the Receipt, the Tellers, the Clerk of the Pells, was abolished. There emerged a department, comparatively economical and intelligibly organized, under a single Comptroller, whose independence of the Government of the day was assured by a salary charged, like those of the judges, on the Consolidated Fund, and not subject to annual vote. The new Exchequer was provided with banking accounts at the Bank of England and the Bank of Ireland, which solved the problem of the custody of public money.

Till then, while the money required for Army, Navy, and Ordnance services had been issued from the Exchequer as imprests or advances to the paymasters or treasurers of those departments, many of the civil payments had been made by direct orders on the Exchequer in favour of the payees. Henceforth the Exchequer was not to cash orders of this kind. *All* issues from the Exchequer were to be made to paymasters, who would be the agents of the Government for making payments to the employers and creditors of the public.

In this way the Exchequer was interposed between the revenue departments, which collected the public money, and the paymasters who disbursed it. Both the revenue departments and the paymasters were agents of the executive Government; the Exchequer intervened to secure the observance of the over-riding authority of the Parliamentary veto on expenditure.

The Government could collect money (by tax or by loan) under statutory authority, but could not spend it except with the consent of the Exchequer, and it was the business of the Exchequer, whenever the Government (represented for this purpose by the Treasury) asked for money, to see that the necessary Parliamentary authority had been given, whether by a permanent statutory charge on the Consolidated Fund or by an annual vote. The Treasury (acting with express royal authority, authenticated by the personal signature of the King) applied to the Exchequer for a 'credit' for each service or vote up to the amount sanctioned by Parliament. A credit once granted for any vote, whatever sum was needed, up to but not exceeding the total amount of the credit, could be transferred from the account of the Exchequer at the Bank of England to the account of the appropriate paymaster. As soon as it was in the hands of the paymaster, it was in the unfettered control of the executive Government.

Every penny that issued from the Exchequer to the Government came earmarked to a particular service, either voted or charged on the Consolidated Fund. The paymaster received it subject to an obligation to apply it to that service and no other.

This was the principle of the Exchequer Act of 1834. As a means of enforcing the newly-elaborated system of appropriation it was as illusory as the Exchequer control of the eighteenth century. What was the use of setting up an independent Comptroller to earmark every issue from the Exchequer to the appropriate service, when the executive was just as free to contravene his requirements as those of Parliament? There was no more than a moral sanction, which added nothing to the moral

sanction already attaching to the authority of Parliament. A Government which was prepared to disregard the Parliamentary appropriation of money would be as free to do so as if there were no Exchequer. The futility of the system was made more glaring (though perhaps not really increased) by the amalgamation of the different paymasters into a single Paymaster-General, so that issues for Army, Navy, Ordnance, and civil votes were all made to the same officer.¹ The defects of Exchequer control were also thrown into relief by the partial adoption of an alternative system of securing due appropriation of voted moneys. It was in 1832 that there was initiated the first Appropriation Audit. Needless to say, an audit of the public accounts already existed. At one time it had been very inefficient, and the Commission on Public Accounts of 1780-7 found the audit many years in arrear. But the shortcomings of that period had been improved away, and an adequate audit was in force. The accounts of those persons who received and paid public moneys were duly examined, but only on behalf of the *Government*. The audit was concerned only with their responsibilities to their official superiors, and ultimately to Ministers. It had nothing to do with the responsibilities of Ministers to Parliament. The new Appropriation Audit made good this deficiency. In the first instance it was applied only to Navy Votes, being originated by Sir James Graham, the First Lord of the Admiralty in Lord Grey's Government. The auditors had to ascertain (as all auditors do) that the receipts and payments recorded in the accounts conformed to the facts. They had to ascertain that all the payments conformed to proper official authority, traceable ultimately to decisions of the heads of the Department, the Board of Admiralty. The novelty in the Appropriation Audit was that they had also to ascertain that all the payments were in accordance with the purposes of the Parliamentary

¹ The Paymaster of the Forces, the Treasurer of the Navy, and the Treasurer of the Ordnance were combined in one Paymaster-General in 1836. A separate Paymaster of Civil services took over the pay-office duties previously discharged at the Exchequer, but he in turn was merged in the Paymaster-General in 1848.

Votes to which they were chargeable, and that the totals of those votes were not exceeded. In discharging this last duty they were not merely criticising the accounting officials but the Board of Admiralty itself. They were seeing that the Board did not break the understanding on which the First Lord had obtained spending authority from Parliament. And the results were reported to Parliament, so that any transgression would be revealed.

The reforming spirits in the Government service soon saw the bearing of this innovation. The prospect of ultimate exposure was a real deterrent upon any misapplication of public money, whether by a subordinate officer, or by direction of a Minister. In 1846 the Appropriation Audit was applied to Army and Ordnance Votes. It only remained to extend it to the 'Miscellaneous' or civil votes, and the security for appropriation in accordance with the directions of Parliament would be complete. So far as the requirements of appropriation were concerned, the Exchequer could then be abolished.

The opportunity for the attack came with the appointment of the Select Committee on Public Moneys in 1856. The protagonists were Lord Monteagle, who had been Chancellor of the Exchequer and had resigned in 1839 to accept the post of Comptroller of the Exchequer, which he had thus held for seventeen years, and Mr. (afterwards Sir William) Anderson, who was Principal Clerk of the Finance Division of the Treasury. Anderson, full of reforming zeal,¹ was for abolishing the Exchequer altogether. Lord Monteagle dwelt with affectionate pedantry on the sacred constitutional functions of his office. Anderson had no difficulty in proving that the attempt to secure due appropriation of public money by the prior control of the Exchequer was illusory. He also demonstrated that the only reliable method of achieving this end was by the extension of the Appropriation Audit to all votes. At one point, however, he was driven, under examination by the Committee, to admit that there

¹ He had formerly been in the Admiralty, where he was concerned in the introduction of the Appropriation Account.

was a duty discharged by the Exchequer which could not be otherwise provided for. Though the Comptroller had no means of ensuring that the sum for which he gave the Government credits on the Exchequer would be used for the purposes for which it had been voted, and that no particular vote would be exceeded, he could and did prevent the Government from drawing a greater *total* sum from the Exchequer than Parliament had authorized for all votes together. If Parliament had authorized the issue of £10,000,000 for the Army, £10,000,000 for the Navy, and £10,000,000 for all other voted services, making £30,000,000 in all, the Comptroller of the Exchequer could not prevent the Government from diverting money from the Army to the Navy, or from the Civil Services to either, but he could prevent the Government from drawing more than £30,000,000 from the Exchequer for voted services as a whole. The constitutional significance of this power is by no means obvious on the surface, but Anderson soon appreciated it, and due weight is given to it in a masterly memorandum prepared by him for the Chancellor of the Exchequer,¹ and appended to the final report of the Committee in 1857. Action was not taken on the report during Lord Monteagle's tenure of office, but he died in February 1866, and in the same year Anderson's recommendations were embodied in the Exchequer and Audit Departments Act. The survival of the Exchequer (though amalgamated with the Audit Office) was due to the necessity of providing for this limitation of total issues from the Exchequer. In the next chapter we shall deal with the constitutional checks maintained in our financial system by that Act.

¹ Though his illustration, that the power of withholding credits upon the Exchequer could be used to prevent a dissolution, would not accord with latter-day constitutional theory.

CHAPTER II

SUPPLY AND WAYS AND MEANS

THE foregoing historical sketch will enable us to examine the present operation of the Parliamentary veto on expenditure.

In the first place the veto enabled Parliament to stop administration completely by stopping all expenditure. This *general* veto, which forms the foundation of Parliamentary Government, in that it enables Parliament to compel the resignation of a Ministry, is enforced by the control of the Exchequer. Secondly, the *detailed* veto, applied separately to each head of Government expenditure, enables Parliament to exercise the same detailed supervision over administration as over legislation. The detailed veto is enforced by the Appropriation Audit.

The control of the Exchequer, as we have seen, limits the *total* amount of money that the Government has to spend to that which has been authorized by Parliament.

Whatever money is raised by the Government, whether it be the revenue of the year or the proceeds of borrowing, must be paid in the first instance to the credit of the Exchequer, where it forms what is called the Consolidated Fund, and the Comptroller of the Exchequer will not issue it out again except by the authority of Parliament. Parliament, it is true, does not retain the right to stop the *whole* of the public expenditure; for the portion which is charged on the Consolidated Fund there is standing Parliamentary authority, which either does not require renewal or requires it only at rare intervals. But the remainder, the portion voted annually, is large enough and important enough to secure the desired end; that is to say, if it be stopped, the Government cannot be carried on. And far the greater part of the Consolidated Fund services is composed of debt charges, interest, and repayment of capital, the issues for which are made not to the Paymaster-General at all, but to

the Chief Cashier of the Bank of England. The independence of the Bank is as essential to the Exchequer system as the independence of the Comptroller of the Exchequer himself, and it is as unassailable.

In explaining the practical operation of the two forms of Parliamentary veto on expenditure it will be convenient to deal first with the detailed veto. In order to obtain the consent of Parliament to the several categories of expenditure, the first step that the Government must take is to communicate to the House of Commons a financial programme. It is an important characteristic of our financial system that the initiative is strictly reserved to the Government. The practice is embodied in the standing orders of the House of Commons, which forbid the introduction of measures placing a charge on the Consolidated Fund, or imposing a tax, except on the motion of a Minister of the Crown. The financial programme of the Government consists of estimates, showing the amount of expenditure which Parliament will be asked to sanction for the coming financial year for each service which constitutes a separate vote. Usage has gradually determined how important a service must be, and how distinct from other services, in order to be so treated. The Government preserves approximately the same classification from year to year, and makes no important alteration without consulting the Public Accounts Committee, which may be taken as representing the House of Commons in relation to all such technicalities.

The Estimates not only give the description of each vote and the total required for it, but they go into considerable detail in showing how the total has been arrived at. The detailed analysis is published, however, only for information, in order to justify the demands made. Parliamentary authority is asked for each vote as a whole. We shall return to this question of the classification of the estimated expenditure at a later stage.

The financial year runs from April 1 to the following March 31. Parliament usually meets at the end of January or the beginning of February. There is not time to consider all the votes before April 1, and yet the

Government must have authority by that date to spend something from every vote. Therefore, in the first instance, a provisional authority is given to spend a limited sum under every vote, without prejudice to the right of Parliament to reduce any vote later on when it is asked to sanction the total. For the Civil votes the 'vote on account,' as this provisional authority is called, is usually so calculated as to last for a definite period (according to present practice about four and a half to five months). In the case of the fighting services a curious system has been adopted. For the Navy, for example, there are fifteen separate votes, and the logical course would be to take a suitable proportion of each of these votes. But it is a well-understood practice (for which statutory authority is regularly obtained in the annual Appropriation Act) that a deficiency on any Navy vote may be temporarily met from a surplus on any other, if it is 'detrimental to the public service' to wait till provision can be made for the deficiency by Parliament in the usual course. In virtue of this power, the Government is free, as soon as it has got money under *any* Naval vote, to incur expenditure under *all* Naval votes, provided it does not exceed the aggregate so voted. Therefore, instead of a vote on account of all Naval votes, one or two of the larger votes are taken in their entirety, before April 1, and the money so voted is used for naval services as a whole as long as it lasts. The same system has been applied to the Air Force votes. Before the War it had been regularly applied also to Army votes, but with the new form now introduced for the Army Estimates a vote on account on the civil model has been adopted.

Thus the Government finds itself on April 1 with provisional authority from the House of Commons to spend on all voted services sufficient sums to last till about the following August. The authority is only provisional, because it is conveyed in resolutions of the House of Commons, which have no validity beyond the end of the session in which they are passed. Nevertheless, the Government is secure in acting on these

resolutions, because constitutional usage (now reinforced by the Parliament Act of 1911) reserves to the House of Commons the final voice in regard to money Bills, and Section 14 of the Exchequer and Audit Departments Act expressly confirms the practice.

Before the end of the session a definitive authority to spend must be given. It is given by the annual Appropriation Act. To understand the Appropriation Act, it is necessary to revert to the general Parliamentary veto on expenditure. The resolutions to which we have referred only remove the *detailed* veto ; when, for example, the House of Commons votes £26,000,000 for Old Age Pensions, it is concerned exclusively with the policy of spending money on old age pensions ; the question of whether it consents to the Government of the day *having any money to spend* is not at issue at all. That question is raised separately. The duality of the veto on expenditure is reflected in a duality of Parliamentary procedure. Resolutions for removing the detailed veto are proposed in a Committee of the whole House, called Committee of Supply, while resolutions for removing the general veto are proposed in another Committee of the whole House, called Committee of Ways and Means. The proceedings of any Committee of the whole House (whether a Committee of Supply, a Committee of Ways and Means, a Committee on a Bill, or any other) have to be reported to the House itself to be effective,¹ and the resolutions, when ultimately passed, are resolutions of the House itself, and not merely of a Committee. The Committee of Ways and Means has had a curious evolution. In origin it was the committee appointed to consider proposals for *raising* money, whether by taxes or by loans, and the same Committee is still appointed both to discharge this function and to authorise issues from the Consolidated Fund. The link between the two functions is to be found in the arrangement for sanctioning temporary borrowing. In the eighteenth century, borrowing by the Government on short-dated securities (in those days, Exchequer bills) was

¹ Although, of course, the House and the Committee are the same assembly under different names, and with slightly different procedure.

conceived of as an anticipation of a tax or loan, and any act authorizing a tax or loan regularly included a temporary borrowing clause. Exchequer bills issued under such a clause were required to be repaid from the proceeds of the tax or loan when available.

If the temporary borrowing powers so given were inadequate, a clause authorizing the issue of further Exchequer bills was inserted in the Appropriation Act. During the Napoleonic Wars very heavy temporary borrowing became necessary, and separate Acts were passed earlier in the session empowering the Treasury to borrow large sums on Exchequer bills. Thus temporary borrowing came to be treated rather as a provisional means of meeting a specified expenditure than as an anticipation of a specified revenue. The last Act attaching temporary borrowing powers to a tax was that renewing the sugar duties in 1848, and since then it has been the practice to combine with the authority to issue any money from the Consolidated Fund power to borrow temporarily any sum *up to the whole amount to be issued*. The limit is liberal, enabling as it does the Government to meet the whole voted expenditure of the year before it has received any revenue at all !¹

It is in virtue of this authority to fill the Exchequer by temporary borrowing that the authority to issue money from the Exchequer becomes the business of the Committee of Ways and Means. The authority to issue has come to be called 'ways and means,' and the bills and advances through which the temporary borrowing is effected are called ways and means bills, and ways and means advances. Thus the detailed veto on expenditure is removed by the grant of supply, and the general veto by the grant of ways and means.

But whereas the Government can act on a resolution of

¹ There is also *standing* authority to borrow at the end of any quarter any sum necessary to provide funds to pay services charged on the Consolidated Fund. It should be mentioned that the large amount of Treasury bills now included in the National Debt is authorised not by the Appropriation Act or Consolidated Fund Acts, but by the War Loan Acts.

the House of Commons granting supply, it is not the practice to act on a mere resolution granting ways and means. The privileges of the Commons are just the same for the one as for the other ; nevertheless the Comptroller of the Exchequer is bound by Sec. 15 of the Act of 1866 only to permit issues up to the amount of ways and means *granted by Parliament*, and a Bill has to pass through all its stages before April 1 to enable the Government to draw money from the Exchequer in the new financial year. This is what is called the Consolidated Fund Act. It authorizes the Treasury to issue a specified sum from the Exchequer ' towards making good the supply granted to His Majesty for ' such and such financial year or years, and to borrow an equal sum by the issue of Treasury bills or otherwise. The sum is the exact total of the votes in supply taken since the opening of the session (including, besides the vote on account, any supplementary votes for the expiring year, and any excess votes for the previous year). It is a rule that the ways and means granted must never exceed the total of the supply already voted up to date ; it is the practice for the grant to be made up to the full amount of this maximum. Thus the Government starts the new financial year in April with both supply and ways and means calculated to last till August.¹ In the interval the House of Commons must pass all the resolutions in supply required to complete the Government's financial programme.² Formerly the Appropriation Act was passed at the very end of the session, and the Government had to rely on the impatience of members to get away for their holidays as an inducement to hasten the proceedings. Since 1896 this happy-go-lucky procedure has given place to a rigid allocation of Parliamentary time. A determinate number of days are given up to supply, and whatever votes have not been previously passed are put through Committee without further debate

¹ It sometimes happens that one or other of the votes passed before April 1 is passed too late to be included in the total of ways and means granted by the Consolidated Fund Act.

² There may be more than one Consolidated Fund Act before the Appropriation Act (see below p. 26 and p. 65).

on the last day but one, and reported on the last day. To complete the Parliamentary authority for the expenditure of the year, it is then necessary to grant the remainder of the ways and means required. Thereupon the Appropriation Bill is introduced and passed through its stages like any other piece of legislation.

The Appropriation Act starts off, like the Consolidated Fund Act, by authorizing the issue of a sum from the Exchequer, and giving the Treasury temporary borrowing powers up to the whole amount of that sum. It then proceeds to prescribe the appropriation of the sums issued from the Exchequer under *both* Acts. These sums are together equal to the aggregate of all the votes in supply, and the appropriation takes the form of an enumeration of these votes with their titles in a schedule.

Here we have the operation of the dual Parliamentary veto on expenditure in its final form. What we have called the general veto is prescribed by law ; the Comptroller-General is forbidden to issue money from the Exchequer except on the grant of ways and means by Parliament. The detailed veto on the other hand rests on nothing but constitutional practice. The schedule to the Appropriation Act prevents the Government from spending money issued from the Exchequer in any other way than that prescribed, but it is only legally operative because it is attached as a condition to the grant of ways and means. The Appropriation Act is a fresh piece of legislation every year ; it is only custom that gives it its stereotyped form or indeed requires any Appropriation Act to be passed at all. It is not illegal for the Government to spend money without the authority of Parliament, unless Parliament has expressly attached conditions to the issue of the money. But it would be *unconstitutional* for the Government to ask or for Parliament to grant money without the condition, and hence the rule that ways and means must not exceed the total of supply.

To many critics of our Parliamentary practice this procedure seems to involve an incomprehensible duplication. Parliament, they say, has to vote everything twice over. The answer is that the Exchequer control exists for the

sole purpose of enabling the House of Commons to mete out to the Government whatever lease of life it chooses, in the form of instalments of ways and means. The characteristic of Parliamentary Government might almost be defined to be the power of the representative chamber to enforce a plain vote of want of confidence. That power is given to the British House of Commons, clear from the intrusion of other issues, in its control of the grant of ways and means. Just because the power exists, it does not require to be exercised. A Government bows to a vote of want of confidence. But it must not be concluded that the power of withholding ways and means, or the control of the Exchequer on which that power depends, can safely be withdrawn. Constitutional checks may remain apparently in abeyance for generations, but that does not mean that they are superfluous; they may be unchallenged simply because they are decisive. So long as the pure two-party system exists, the responsibility of Ministers to Parliament is easily enforced; an organized hostile majority can anyhow make government impossible. It is when some confusion of parties exists that the sanction by which a vote of want of confidence is enforceable becomes important. It may well be that there are several alternative Ministries possible, no one of which can be sure of carrying the whole of its policy. That is a dangerous situation. A policy half accepted and half rejected is sometimes the worst of all courses. It is essential that a Government which takes office to carry out a policy should have power to secure a fair trial for its measures. If, either because the Parliament is newly elected, or because there is no likelihood of the representation of parties being appreciably changed by fresh elections, the air cannot be cleared by a dissolution, the only weapon left to Ministers to enforce their policy is resignation. Thereby the House of Commons can be compelled to choose between alternative Ministries, and between alternative policies. But this presupposes that the new Ministers will be compelled to ask for a vote of confidence. If that is not so, or if they can defy the Commons after the rejection of a vote of confidence without suffering any

inconvenience, their predecessors, by resigning, will have surrendered their policy instead of enforcing it.

Without Exchequer control, there would be nothing to *prevent* Ministers from spending money in spite of the rejection of votes in supply, if they chose to take the risk of subsequent penalties. In politics there is much virtue in an accomplished fact, and their misdeeds might very likely be condoned later on by a retrospective Parliamentary vote. Even if the manœuvre failed, an impeachment would be extremely improbable.

But, it may be asked, could not procedure be simplified, without sacrificing Exchequer control? Could not a vote in supply be taken as implying authority to issue from the Exchequer? This would not in reality be a simplification. The progress of supply during the session is dictated by convenience as to the times for discussing individual votes. It would be extremely difficult to regulate it with a view to the length of time for which the corresponding ways and means would last. Moreover, votes in supply raise other questions besides those of confidence in the Government. If a vote in supply of, say, £50,000,000 for education carried with it authority to issue £50,000,000 from the Exchequer, then, since this sum, once issued, could be applied not only to Education but to any voted service, the vote would not be for education alone. The question of the general policy of the Government would thus arise on every vote in supply; and the rejection of any vote would involve a confusion of issues between the merits of the particular vote and the question of confidence in the Government.¹

For very similar reasons it would not be advisable to rely on the power of Parliament over taxation as a means of coercing the Government. The time of passing the Finance Bill depends upon the programme of the session, and the rejection of the Bill would probably involve a confusion of issues. Besides, the effect would not be felt

¹ It is true that the Government may treat a vote in supply as a question of confidence, and, in fact, does use its influence with its supporters to get the votes passed. But here we are concerned with the foundations of the whole system of confidence, from which that influence is derived.

nearly so promptly as in the case of the withholding of ways and means. The experience of 1910 showed that a Government could get along for some months without a Finance Bill, though it is possible that with the growth of the relative importance of the income tax, which is the principal tax requiring annual renewal, the period might be reduced. It may be retorted that the refusal of ways and means is itself not a very satisfactory constitutional sanction. As we have seen, ways and means are usually only granted twice in a session, once just before April 1, and once in August. Is it such a vital advantage to Parliament to have these two opportunities of passing a vote of confidence? But it must not be supposed that this practice is a necessity. Before 1896 the vote on account and the ways and means corresponding to it were taken for six weeks at a time only, and several successive votes on account and grants of ways and means had to be passed before the Appropriation Bill could be taken. In 1910 when there was some doubt as to the stability of the Government majority in a new Parliament, Mr. Asquith's Government deliberately reverted to the previous practice and took a six weeks' vote only. In reality there is no essential reason why the grant of ways and means should keep pace with the progress of supply. The House, if it chooses, can grant a normal vote on account for four or five months, and complete supply by the end of that period, and yet can tie up the Government by doling out ways and means for six weeks at a time in successive Consolidated Fund Acts. Till 1906 it was the rule never to pass the Appropriation Bill till the very end of the session. In that year it was taken in August for the convenience of the Parliamentary programme. But it would be perfectly possible to finish supply as usual in August, and yet to postpone making the final grant of ways and means till the end of the session. These illustrations show how elastic the grant of ways and means really is, though its possibilities are in danger of being forgotten, owing to the smoothness with which Parliamentary Government has worked for so many years.

There is yet another criticism of the constitutional

machinery of our financial system to be considered. It is not certain that the Exchequer control cannot be evaded. That control is only effective in preventing money from *leaving* the Exchequer ; it does nothing to secure that the proceeds of taxes or loans shall be *paid into* the Exchequer. The taxes are collected by the revenue departments, which are under the absolute authority of the Government. The Chancellor of the Exchequer could direct them to transfer money direct from their own accounts at the Bank of England to the account of the Paymaster-General, without passing through the Exchequer at all.

It must be admitted that this is possible. Nevertheless it does not follow that the control of the Exchequer is a sham. To go on spending on necessary services, despite the rejection of votes in supply, is to take the line of least resistance. To divert revenue from the Exchequer is to depart conspicuously from the normal course of public business, and to do so for the express purpose of breaking the law. The difference is not unlike that between merely committing an unlawful act and conspiring to commit it. And whereas an excess on a vote can be (and frequently is) condoned by a retrospective vote in supply, nothing short of an act of indemnity could wipe out the diversion of revenue.

It is fair then to conclude that Exchequer control, though not a perfect, is a valuable constitutional safeguard. Perhaps the first step to be taken by a legislator whose purpose was to abolish Parliamentary Government, and to put in its place the system which existed in Germany before the Republic, would be to suppress the Exchequer.

CHAPTER III

TREASURY CONTROL AND FINANCIAL POLICY

THE Parliamentary checks in our financial system are negative. The positive determination of financial policy is the business of the executive. Financial policy has two branches, revenue and expenditure. A

Finance Minister has to raise revenue to meet his expenditure, and to restrict his expenditure within the revenue he is prepared to raise.

We are primarily concerned with the expenditure side of financial policy. Expenditure is a by-product of every activity of government. Financial policy is a function (in the mathematical sense) of all other policies. The consideration of a legislative or administrative proposal is never complete till its advantages have been weighed against the monetary cost. In other countries it is left to the department which initiates the proposal to advise on its financial as on its other aspects. But in this country we have a department expressly responsible for all expenditure. This is the Treasury, without whose sanction no proposal involving expenditure can be carried into effect. The head of the Treasury is the Chancellor of the Exchequer, who is the Finance Minister.¹ To it the two great revenue departments, the Board of Inland Revenue and the Board of Customs and Excise, are subordinate. The Chancellor of the Exchequer is responsible for balancing receipts and expenditure, and for initiating the financial legislation necessary for that purpose. The power of giving or withholding sanction for the expenditure of all other Departments really no more than completes his responsibility for the finances of the country.

It must, however, always be borne in mind that the financial policy of the Chancellor of the Exchequer is the financial policy of the Government as a whole. It is his special business to take the initiative in bringing financial questions before the Cabinet, but it would be quite a mistake to suppose that his colleagues can disinterest themselves in finance, or that he must be more economically inclined than they. The purpose of the system of Treasury control is to secure a uniform standard in the measurement of the financial sacrifice involved in the

¹ Though nominally he is only the *second* in a Board presided over by the First Lord of the Treasury. But the First Lord (who is usually Prime Minister) does not in practice act as Finance Minister. The Chancellor of the Exchequer has no connexion (except historically) with the Exchequer.

activities of all departments of government. The Government's policy may be one of severe economy, and the Treasury will apply a correspondingly severe standard of financial criticism. Or the Government's policy may be one of financial liberality, and the Treasury's standard will be appropriately relaxed. The Chancellor of the Exchequer acts in concert with his colleagues, and his department exists merely to carry out his and their intentions. This function of standardising financial sacrifice must not be confused with another very important function, that of securing that money is not *wasted*. For the latter function a large measure of responsibility does also devolve on the Treasury. For example, the Treasury deals with matters such as the rules governing the acceptance of tenders for contracts, the rates of remuneration of Government employees, the system of financial responsibility and financial control within other departments, the form of accounts, the manner and extent of audit. In these and many other ways it is possible for the Treasury to promote the economical application of public money. Nevertheless, the primary responsibility in this regard inevitably belongs to the departments which actually spend the money. Rules imposed from outside, however prudently devised and wisely administered, even if they be judiciously applied and adapted to individual cases as they arise, can be no substitute for efficiency and public spirit in the officials working under them. The question of economy in this sense only arises *after* the question of financial policy has been determined.

The first step towards planning a financial policy is to make a programme. This is already provided for in the Estimates which have to be presented to Parliament to form the basis of the votes in supply. These must be completed in time for the vote on account, for Parliament is then always informed of the totals which it is subsequently to be asked to vote for all services. In order to get the Estimates ready by March, departments must start preparing them in the preceding autumn, and, in fact, the annual Treasury circular, instructing civil departments to prepare them, is issued on October 1.

As the Estimates cover the twelve months beginning the following April 1, departments are required to see a long way ahead.

It would be a mistake, however, to suppose that the framing of financial policy is concentrated in the annual Estimates. The importance of the annual Estimates depends upon the nature of the service provided for. They play the greatest part in the finance of the departments of National Defence, the Army, the Navy, and now also the Air Force. It will be convenient to consider this group of departments separately, before passing to the others, which are classed together as 'Civil.'

It is often said that Treasury control over the defence departments' estimates is less close than over those of the civil departments. In some respects this is true. Not only are the Civil Service Estimates presented to Parliament by the Financial Secretary of the Treasury, but the details are minutely scrutinized at the Treasury so that his responsibility for them is a reality. So far as any official correspondence shows, the Treasury gives little more than a formal approval to the estimates for the Forces. The reason is that the latter are passed by the Cabinet itself before they are ever sent officially to the Treasury at all. But to suppose that the Treasury is left out would be an entire mistake.

Whatever comes before the Cabinet comes as the considered proposal of one or more Ministers. A Minister who brings a proposal forward is responsible for having obtained the expert advice of his department upon it. Inherent in the system of Treasury control is the participation of the Chancellor of the Exchequer in the Army, Navy, and Air Force Estimates. These estimates are communicated to him before they are laid before the Cabinet, and he is able to make full use of the resources of his department to criticize them. The problem before the Cabinet is to weigh so much military force against so much expense, and for its solution they need the advice not only of experts in military force but of experts in expense. The more money they give the military experts, the more military force the experts will provide.

Up to a certain point Ministers will give the military experts what they ask. But eventually the experts may have to be challenged, and the challenge must be itself made by experts. The challenge might not be on financial grounds; it might be based, for example, on foreign policy, and the Cabinet would then need the assistance of experts in foreign affairs. But it is with a financial challenge that we are now concerned, and a financial challenge must be framed by financial experts. The substance of the challenge is that the financial sacrifice asked of the country is excessive, and less must be spent, even at the cost of providing less military force.

It may be asked, does this simple issue require the intervention of financial experts? The military experts can say how much force will be sacrificed by a given reduction in expenditure, and cannot the most uninstructed in finance then say whether this is worth while?

A little consideration will reveal the complexity of the problem of reducing expenditure. In the first place the question is always one of weighing probabilities. Estimating expenditure, even a year ahead, demands the exercise of skilled judgement. And the financial consequences of any decision are by no means limited to the immediately ensuing year. Commitments may be involved for a long series of years. One measure of retrenchment will produce a trifling economy in the first year and a substantial saving later on; another will realize a large immediate reduction for one year only, and may lead to heavy compensatory expenditure afterwards. An increase of personnel may cost little at the beginning when it is a question of paying recruits during a preliminary period of training, but involves future liabilities, for rates of remuneration which grow with skill and length of service, and ultimately for superannuation benefits. Reductions of personnel may produce little immediate saving because of the commitments of existing scales of pay or of heavy superannuation charges. Immediate expenditure on material, e.g. on buildings or on battle-ships, may involve heavy future commitments for

maintenance. Again, savings may be temporarily realized by the postponement of such expenditure, or even by deferring the replenishment of stores, only at the expense of increased expenditure on making up the deficiency later on. Yet postponement *may* be a permanent economy. This is often so with armaments, where there is international competition, and acceleration by one competitor leads to acceleration by all the others. And sometimes an economy in the immediate future is of special value from a financial point of view, even though there be no ultimate saving. This was conspicuously so during the war, when any unnecessary expenditure meant a limitation of the nation's resources for one all-important purpose.

When it comes to applying criticism of this kind to the proposals of each service in turn, the need, not merely for a single authority to adjudicate, but for a co-ordinating department of financial experts, becomes obvious. The Ministry of Finance alone is in a position to develop and to apply to all departments alike a consistent standard of financial sacrifice and to assess the importance of a financial saving whether in the present or in the future. Sometimes, when taxation is light and revenue overflowing, the Treasury is merely playing the game of balancing the budget, and seeing that not only the several departments but the taxpayer himself may receive a fair share of any surplus that may accrue. Sometimes every new item of expenditure is adding to a strain which is already nearly intolerable, and the Treasury alone can take the responsibility of looking ahead, and measuring the consequences of any financial proposal. In either case Treasury control is control by the Chancellor of the Exchequer, and the Chancellor of the Exchequer is himself only an organ of the Cabinet. His department unravels the intricacies of the problem for him, and enables him and the Cabinet to come to a reasoned decision.

Civil expenditure differs from expenditure on defence in that it is more continuous. The greater part of it is regulated by statute. We have Old Age Pension Acts,

Education Acts, Health Insurance Acts, which prescribe that such and such payments shall be made in specified conditions 'out of moneys provided by Parliament,' that is to say, from votes. Such legislation appears to prejudice the subsequent voting of the necessary funds by Parliament. And though legally Parliament always has the power to refuse funds, the policy of the expenditure is really settled when the legislation is passed, not when the annual votes are taken to carry it out. Legislation of this character can only be introduced by a Minister of the Crown. According to venerable and sacred orders of the House of Commons, clauses imposing a charge on public funds cannot be considered in Committee until a separate financial resolution has been passed declaring the charge to be expedient, and these financial resolutions can only be proposed by Ministers. It is when such legislation first comes under consideration by Ministers, before it is approved by the Cabinet for introduction, that the Treasury's opportunity of control arises. The financial charge contemplated must be fitted into the Chancellor of the Exchequer's programme, and it is only after his fiat has been given that the Minister primarily responsible can introduce his Bill.

But even after an Act providing for expenditure from moneys provided by Parliament is on the statute book, that does not mean that all questions of financial policy have been disposed of. A wide discretion is inevitably left as to the manner of administration, and a variety of ancillary proposals may spring up, each of which requires consideration in the light of its cost. The Government (including the Chancellor of the Exchequer) decides to start a scheme, say, of Unemployment Insurance. A Bill is introduced by the Minister of Labour, and passed, laying down the rates of contribution from employers and employed and from 'moneys provided by Parliament,' the rates and conditions of benefits, and all the details which require to be governed by statute. It still has to be decided how much staff must be employed, and at what rates of remuneration, what buildings are to be rented or built as employment exchanges and offices,

how elaborate the checks and controls are to be to secure good administration. These decisions affect expenditure, and have to be referred to the Treasury. It may be mentioned that they are so referred *as they arise*, and not only when the annual Estimates are framed. Indeed, as we shall see, the Estimates ought to represent practically a compilation of items, each of which separately has already received Treasury sanction.

This brings us to that field in which the operation of Treasury control is most familiar to other departments. Therein are to be found those questions which are not weighty enough to come before the Cabinet, or even perhaps before individual Ministers, but which nevertheless involve or may involve financial policy, and are practically settled between officials of the Treasury and of the other departments concerned. Such matters often have the appearance of being settled by the administrative staff of the Treasury; but this is an appearance only, for the Treasury decision is calculated to conform to the known Ministerial policy, and, if it does not, the other department can always appeal against the decision through its own Minister to the Chancellor of the Exchequer, or to his deputy, the Financial Secretary of the Treasury. No question is so small but that, if it cannot be decided otherwise, this procedure may be called in aid. And the potential intervention of Ministers influences all that the permanent officials do, so that what they settle among themselves closely reflects the policy of their political chiefs.

It would be quite wrong to suppose that financial policy is only involved in the expenditure of large sums. The question of policy arises whenever the advantages of any service, however small or subsidiary, have to be weighed against the cost. The broad decisions of financial policy are settled either by the Cabinet or by the Legislature. But within the limits so laid down there is much still to be settled, and of the determination of such questions is composed the greater part of the Treasury's daily work.

CHAPTER IV

AUDIT AND TREASURY SANCTION

TREASURY control and Parliamentary control (so far as embodied in supply grants, as distinguished from ways and means) are both enforced by a system of audit, and in the last resort the scope of either form of control depends on the instructions given to the auditors. These instructions form an important part of the subject matter of the Exchequer and Audit Departments Act of 1866.

By that Act the Exchequer Department and the Audit Department were amalgamated. The single head, in whom all the responsibilities of both Departments were concentrated, is the Comptroller-General of the Receipt and Issue of His Majesty's Exchequer and Auditor-General of the Public Accounts, or more shortly the Comptroller and Auditor-General. We have already seen that to him has been transmitted the characteristic duty of his predecessors in the office of Comptroller-General of the Exchequer, that of enforcing the general Parliamentary veto on expenditure, by refusing credits upon the Consolidated Fund unless duly authorized by Parliamentary grants of ways and means.

As Auditor-General of the public accounts he has a dual responsibility. He audits on behalf of Parliament, and on behalf of the Government. The nature of the audit on behalf of Parliament, the appropriation audit, as it is called, has already been indicated. That audit deals with the question whether each disbursement from a Parliamentary vote does or does not come within the purposes of the vote.

So far as voted money is concerned, the audit on behalf of the Government is authorized by a proviso to Sec. 27 of the Act of 1866, under which the Comptroller and Auditor-General, when so required by the Treasury, must ascertain whether the expenditure included in an

appropriation account, or any portion of such expenditure, is supported by the authority of the Treasury, and must report to the House of Commons any expenditure not so supported, which 'shall be regarded as being not properly chargeable to a Parliamentary grant.'

The Treasury gave the necessary directions to the Comptroller and Auditor-General in a Minute of April, 1868, which still defines the sphere of Treasury sanction.

We have already seen (p. 18) that the Estimates presented to Parliament give, for information only, an analysis of each vote showing how the total has been arrived at. The total is divided up into a number of subheads, each covering a portion of the field defined by the title of the vote itself. A vote may contain two or three subheads, or it may run to thirty or forty or more. The number is determined not by the magnitude of the vote, but by the variety of the items charged to it and the requirements of financial control.¹ The subheads shown in the Estimates reappear in the appropriation account, which compares the sum included in the vote under each subhead with the sum actually spent.

The Treasury Minute of April 1868 directs the Comptroller and Auditor-General to bring to the notice of the Treasury 'any excess of charge beyond the amount assigned to each subhead.' It further requires Treasury sanction to be given 'for any increase of establishment, of salary, or of cost of a service, or for any additional works or new services, which have not been specially provided for in the grants of Parliament,' and directs any unauthorized expenditure so described to be reported.

Why, it may be asked, is it necessary to require Treasury consent both for an excess on a subhead and also for any increase of cost of a service or for any new service? The Treasury is free to carve up a vote into subheads as it pleases, and to limit the expenditure on each. Is there any need for it to impose a similar limitation on some other subdivision of the vote called a 'service'? Why

¹ One of the biggest votes is that for Old Age Pensions, which contains only two subheads, one for the pensions and the other for expenses of local pensions committees.

should not 'subheads' be so defined as to coincide with 'services'?

To solve this riddle it is necessary to draw a distinction between Treasury approval of an *estimate*, and Treasury sanction of *expenditure*. An estimate is prepared for a strictly limited purpose, to lead up to the Parliamentary vote. Like the vote as a whole, the subheads represent the expenditure coming in course of payment in the financial year, without regard to anything that happens before or after that period. Each department of government will start the financial year as a going concern, with the business of administration in full swing. The estimate will provide such sum as the department's activities are expected to cost in the financial year. But it is not, in general, in connection with the estimate that those activities receive Treasury sanction. In fact all ought *already* to have been sanctioned before the estimate is ever sent in to the Treasury.

On the estimate what has to be considered is how much of this sanctioned expenditure will fall upon the coming year. In great part this has been practically determined by the nature of the sanctioned services themselves. Sometimes, however, the yearly provision will be of financial importance as determining the rate of progress. This is indeed the explanation of the importance of the annual estimates for the defence departments. In certain classes of cases it is possible for a department to spend just as much or as little in the year as it is allowed. This is so, for example, with some kinds of scientific research, with the purchase of specimens for museums, with the publication of records, with the creation of small holdings. For these and other services of the same kind the annual approval of the estimate may be the best opportunity for controlling expenditure. But these are exceptional, and the general rule remains that for the most part the estimate is merely a compilation based on pre-existing authorizations.

The Treasury, having approved the total of each subhead when the estimate was prepared, requires any excess on the approved total to be submitted for its approval.

This is partly to enable the Treasury to enforce its control over the rate of progress of expenditure, but partly also to enable it to watch over the total of the vote. The Treasury is responsible for obtaining whatever Parliamentary authority the Government's financial programme may require. An excess on any vote will necessitate a supplementary estimate. Such an excess must, of course, be traceable to excesses on one or more subheads, and the necessity of seeking Treasury sanction for the latter ensures early attention for the former.

Though these uses of subheads are not without importance, it will be seen that both the estimate and the subheads play a relatively subordinate part in the system of Treasury control. The real basis of that control is in the requirement of Treasury sanction for any 'new service' and for 'any increase of cost of a service,' which have not been specially provided for in the grants of Parliament.¹ Here it escapes the limitation to one financial year. For the Treasury may, if it chooses, sanction a service for one financial year only, or it may sanction the service for a limited or unlimited period extending beyond the financial year, or it may sanction a limited amount of expenditure on the service, the whole or only a part of which may fall on the vote for the year in question. The expenditure on the service will not necessarily all fall on one subhead: it may be distributed among several, and the total may not appear explicitly anywhere in the estimate.

It might be supposed that to found Treasury control on a unit so vague as a 'service' would be to open the way to infinite equivocation and disputes. What is a 'service'? The Navy, with all its fifteen votes and scores of millions of expenditure, might be called one 'service.' Equally well the supply of railway time-tables for the Admiralty Office Keeper might be a 'service.' But in practice such hair-splitting does not occur. Treasury control was not invented by the Minute of 1868; the

¹ That is to say, which have not been taken into consideration in the preparation of the estimates. This is the test of newness, but the phrase is not a very happy one.

Minute merely recorded well-established usage. And even if usage had not decided the meaning of a 'service,' a comprehension of the true purpose of Treasury control has enabled departments to apply the Minute to particular cases. Treasury sanction is not required for every change in a department's activities. Where no increased expenditure is involved, a mere change in administrative methods, or the diversion of its attention from one part of its field to another, is not regarded as a 'new service.' The department can even add to its expenditure, when the addition is simply consequent upon its existing functions, and though the estimate providing for the increased expenditure must be passed (and may be cut down) by the Treasury, the increase itself does not require sanction. This latter distinction may appear over-subtle. But it must be remembered that *everything* that is inserted in the estimate requires Treasury consent for its insertion, whether it shows an increase or not.

On the other hand as soon as a department begins to do something for the public, which it has not done before, or even if it merely extends or stiffens up its administration, it must come to the Treasury. It must come, even though it can save enough money in other directions to cover the cost of the new service, and though perhaps the service will not figure separately in the estimate at all. Nor does the inclusion of money in the estimate with Treasury consent dispense with the necessity for Treasury sanction being given explicitly for the service itself.

For example, a prisons department does not require express Treasury sanction to provide for an increased number of prisoners, though the Treasury may criticise the consequent provision in the estimate, just as it might criticise the provision for a *decreased* number, if a still larger decrease appeared reasonable.¹ But Treasury sanction would be required for putting up a new prison, or for providing an improved diet for the prisoners.

The possible disadvantages of the vagueness of the

¹ The Treasury sometimes presses for an *increased* provision in the estimates in order to guard against the danger of a supplementary estimate.

expression 'new service' are further mitigated by the provisions in the Minute of 1868 requiring Treasury sanction for any increase of establishment or of salary or for any additional works. 'Increase of establishment' is interpreted to mean increase in the establishment of permanent civil servants, and does not include expenditure on temporary assistance, e.g. clerks who are hired for a short period, and then discharged. But as such temporary assistance might be used in substitution for an increase of establishment, it has since been laid down that express Treasury sanction must be given for any excess on an item included in the estimates for personal remuneration of any kind. An item for temporary assistance has no reference to any 'establishment.' The number of people to be employed and paid from it may vary indefinitely according to the rates of remuneration paid and the periods for which individuals are retained.

An establishment on the other hand means a determinate number of employees, classified according to their duties, and permanently employed. The obvious reason for requiring Treasury sanction for an increase of establishment is that an appointment of a permanent civil servant involves in practice commitments for a long period of years. This is so in practice and not in law, because legally the civil servant can be discharged at any time without any pension or other compensation. But of course when a pensionable officer is appointed it is with the intention that he shall be retained till he retires on account of age or disability, and, if he has to be discharged prematurely, owing to a reduction of establishment, he is given the pension (or retiring gratuity) appropriate to his length of service.

It is therefore reasonable that Treasury sanction should be required for all additions to the establishment. And the same considerations apply to increases of salary, which in practice commit the future. But there are additional reasons for maintaining close control of salaries. Personal remuneration is a matter in which co-ordination among departments is peculiarly necessary. The line of least resistance is to concede any claim that is not palpably

extravagant, and the only way to deal equitably and economically with the problem is by careful comparison of each post with similar posts in other departments, and of each class of post with the nearest equivalent class in outside employment. In the determination of salaries virtue is to be found only in the golden mean ; under-payment leads to inferior service ; over-payment leads not only to waste of money, but to waste of ability, and to consequent discontent. The enormous extension of the functions of government in the past twenty years, combined with instability of standards of remuneration during and since the war, has necessitated the creation of a separate branch of the Treasury, under a Controller of Establishments, to deal with this side of the work. The setting up of Whitley Councils and the creation of a Civil Service Arbitration Board emphasize the distinction from questions of pure financial policy, which remain in the hands of the other two branches, under the newly created Controller of Finance and Controller of Supply Services.

The close Treasury control in matters of personnel has proved a valuable weapon, in that it has secured early and detailed information of everything that other departments are doing. Practically every new departure of sufficient importance to count as a ' new service ' requiring Treasury sanction involves some change in personnel, either additional numbers or additional remuneration. Perhaps this has helped to avoid the disputes to which the ambiguity of the expression ' new service ' might otherwise have given rise.

Treasury control has a dual function ; not only is the Treasury the instrument for carrying out the financial policy of the Government, but it is also responsible for ensuring compliance with Parliamentary authority. The Treasury alone can ask for the Royal Order authorising expenditure from Parliamentary grants. The Treasury alone can obtain issues from the Exchequer. So far as Civil Services are concerned, the Treasury alone presents Estimates to Parliament. The Paymaster-General, who receives the issues from the Exchequer, and upon whom all departments (except the Revenue Departments)

draw for their voted expenditure, is an officer of the Treasury, and, on instructions from the Treasury, he would refuse to honour a draft improperly drawn by any other department. These are the real foundations of Treasury control; the Minute of 1868 merely records the manner in which the Treasury has decided to exercise its power of sanction and to ask for the support of the auditor. As was explained in Chapter III, the greater issues are decided in the Cabinet, when the Chancellor of the Exchequer approves the total of the Estimates for the fighting services, or assents to the introduction of legislation to initiate a service involving a charge upon 'moneys provided by Parliament.' No auditor can protect the authority of the Treasury over the initiation of proposals in Parliament. This is a matter partly of Cabinet solidarity, partly of Parliamentary procedure, partly of tradition and practice.

The Treasury, in approving the Estimates, not only the Civil Service estimates which it presents to Parliament itself, but also the estimates for the fighting services, makes itself responsible for the Government's programme of expenditure for the financial year. The Government obtains the consent of Parliament to the programme. But it would be impossible, consistently with efficient administration, to adhere rigidly to a programme which has been finally settled some fourteen months before the end of the financial year to which it relates. It is the business of the Treasury to see that, if any vote proves insufficient for the service for which it provides, a supplementary estimate is presented to Parliament for such additional sum as may be necessary, and is voted before the end of the financial year. It is the practice to issue a circular in January, not merely asking departments whether supplementary estimates will be needed, but asking specifically what savings, if any, they expect to realize on their votes. It does occasionally happen that, owing to some miscalculation, the vote for the year is exceeded, and then the Government can only plead *mea culpa*, and ask for indemnification in the form of a retroactive Parliamentary vote, called an 'excess vote.'

Supplementaries are objectionable for obvious reasons, and a department which needs one must, therefore, defend itself, and must show, not only that the excess on the original vote could not have been foreseen, but that it cannot be avoided by curtailment or legitimate postponement of expenditure.

Besides the basic principle of keeping expenditure within the limits of Parliamentary grants, there are other respects in which custom prescribes that expenditure shall not be incurred without prior Parliamentary consent. For example, new works or buildings (except minor works involving relatively trifling expenditure) may not be begun until an estimate in which express provision is made for them has been voted in supply. This is a curious rule, because Parliament does not vote the items mentioned in the estimate at all ; it only votes the total sum required for the service defined in the title of the vote, and is not concerned with the items except as justifying the total. But Parliamentary procedure does allow members to use the information contained in the estimate as the basis of criticism, and to propose a reduction of the total by the sum included in the estimate for some specified purpose. If such a motion were carried, the Government would be precluded from spending money on the service in question, although it would still come within the title of the vote, and money might have been found for it by effecting savings on other items. The limitation thus placed upon the Government is not legal, but constitutional. But it would be taken into account by the Audit Office.

This customary or constitutional rule against beginning new works without Parliamentary consent is not absolute. The Treasury has discretion to dispense with it on grounds of urgency. But any misuse of this discretion is of course subject to subsequent criticism.

CHAPTER V

THE ACCOUNTING OFFICER

SOMETHING has already been said of the relations of the Treasury to other departments. Treasury control and Parliamentary control are both full of technicalities in their detailed application, and it is essential that the financial management of every department which is responsible for a Parliamentary vote should be in the hands of some one who understands these technicalities, and who can be relied on to know when Parliamentary authority is required and when Treasury authority is required. Under Sec. 22 of the Act of 1866 the Treasury has to say what department shall prepare and render the appropriation account for each vote, and it is expressly stated to be the intention of the Act that the department charged with the expenditure of the vote under the authority of the Treasury shall prepare the account. But the Treasury is not content merely to nominate the accounting department; it selects an individual officer of the department to be what is called the 'accounting officer.'¹ Every payment from the vote is made on his responsibility, and it is his duty to satisfy himself as to the correctness or propriety of the transaction. Of course, in a big department it would be an absurdity to expect any one man to examine every payment himself, and the Treasury Minute of Aug. 14, 1872, which still remains the governing authority on the functions of the accounting officer, while insisting that his responsibility cannot be delegated, allows him to act upon statements duly certified by the officers entrusted with the detailed duties of the account. He may accept the word of a

¹ In 1872 the Treasury interpreted the proviso to Sec. 22 as expressly providing for the appointment of an individual accounting officer. But the proviso merely says that the term 'department' is to be 'construed as including any public officer or officers to whom the duty may be assigned by the Treasury,' i.e. an individual may be appointed *instead* of a department.

subordinate as to matters of fact and detail, provided he takes care that the organization of his finance branch is such as to ensure all questions of principle being referred to himself. He has to see that every payment made from the vote is supported by the authority (1) of his own department, (2) of the Treasury, (3) of Parliament. He has also to see that the payments are in all other respects regular, that they comply with any statutory enactments that may apply to them, and that there are adequate checks and safeguards against financial malpractices. In discharging these responsibilities the accounting officer is encouraged to rely on the assistance of the Treasury to advise him on doubtful points. But though nominated by the Treasury, and in some respects responsible to the Treasury, the accounting officer is an officer of his own department and not of the Treasury. He is as absolutely bound as anyone else in the department to act on instructions from the head of the department. But he differs from his colleagues in being bound in certain cases to protest against a command which nevertheless he must obey. He is appointed to secure financial regularity. If instructed to make a payment which he believes to be irregular, it is his duty to call attention to the fact ; and if, nevertheless, overruled by the head of the department, he must insist on having written instructions, and must record his opinion in writing. Otherwise he would be deemed to have accepted responsibility for the improper payment. Thus, while the accounting officer cannot, consistently with due subordination to the head of his department, absolutely prevent irregular payments, he can save the department from sinning through ignorance. At the same time it has always been recognized that the more responsible and authoritative the officer chosen for the post the better. In many cases the accounting officer is the permanent head of the department, who can be overruled by no one but the Minister himself. In others, especially the biggest departments, he is the chief financial officer, who, though he is inferior in authority to the permanent administrative head, has the advantage of more intimate acquaintance with the

financial organization of the department. Obviously, the permanent administrative head of the department could not take the responsibility of overruling the accounting officer without referring the matter to the Ministerial head of the department. When the system was new, the appropriation accounts were signed in a few cases by the Ministerial heads themselves, but the unsuitability of a transitory political chief, for a post where expert knowledge of the technicalities of financial control was the first requisite, soon became obvious. An accounting officer is now almost invariably¹ a permanent official of mature experience. His career and his livelihood being in the Government service, he has the most powerful motives to discharge his trust faithfully. His sense of responsibility is reinforced by the rule which makes him personally liable for any sums of money wrongly paid under his authority from the vote.

Recently, the problem of effective financial control having come into prominence, the functions of the accounting officer have been brought under new consideration. It has been suggested that the accounting officer should combine his responsibility for the regularity of payments with the principal responsibility, under his Ministerial chief, for all questions of financial policy. Financial policy is so intimately connected with all other policy that this points to an extension of the practice of making the permanent head of the department the accounting officer. Into the merits of this controversy it is unnecessary to enter here, beyond pointing out that the two functions, even though it may be desirable to combine them in one individual, are themselves quite distinct.

In one or two cases experiments have been made in the direction of placing in an important spending department an officer of the Treasury to deal with questions of financial control, with certain powers delegated to him from the Treasury. The case of the Comptroller and Accountant-General of the Post Office is not actually

¹ Exceptions were to be found during the war in men who were introduced from the business world into the Government service to take charge of temporary departments.

an instance of this arrangement, because he is clearly and unequivocally an officer of the Post Office, and not of the Treasury. The practice has been accepted, however, of obtaining the concurrence of the Treasury in any appointment made to this post, and it is an understood thing that the Treasury can rely on his co-operation in certain respects.

When the National Health Insurance Commission was first created, one of the Commissioners was at the same time an officer of the Treasury, and concentration of special knowledge from both departments in one individual favoured the smooth settlement of the many difficult problems of financial policy that arose in the initiation of that great new venture in administration. The arrangement terminated when the Commission became merged, after eight years of existence, in the Ministry of Health.

An officer of the Treasury has been specially attached to the Ministry of Transport. He is, however, responsible to the Treasury alone, and not to the Ministry, though his office is situated at the Ministry, and his duties are confined to Treasury control of the Ministry. It may also be mentioned that the recently appointed joint Under Secretary for Ireland is at the same time an officer of the Treasury with delegated powers.

Below the accounting officer, financial responsibility extends to those, called 'sub-accountants,' who receive imprests or advances of money from the vote, in order that they in turn may meet disbursements chargeable to the vote. One receives money for the cash expenditure of a regiment or a man-of-war, another to cover his travelling expenses on an official tour, another to pay the weekly wages of a number of men, another perhaps for petty office expenses. Whereas the accounting officer, though he signs the order on the Paymaster-General by which money is drawn from the vote, is not actually in possession of the money on which he draws, a sub-accountant actually receives the money, and automatically becomes accountable for it. Whatever balance he cannot prove to have been spent on the purpose for which the imprest was advanced to him he remains liable to repay. His

accounts and his balances are regularly checked by his own department, and it is only after they have been so checked, and if necessary corrected, and responsibility has thus been assumed for them by the accounting officer, that the accounts are passed on to be examined by the auditors. A sub-accountant is required to send in an account every month.

The audit of any vote is conducted as nearly as possible concurrently with the expenditure. That is to say, each month's accounts are submitted to the auditor as soon as ready. If the year's accounts were only audited as a whole after the end of the year there would be undue delay in the discovery of any irregularity perpetrated early in the year.

An irregularity may take the form either of contravention of authority or of an actual loss of money through default or accident. In the former case the authority contravened may be that of the accounting department, or that of the Treasury, or that of Parliament. The accounting department is the guardian of its own authority. It can take disciplinary action, which may take the form of requiring the delinquent officer to make good the unauthorized expenditure from his own pocket. But, if no authority but its own is involved, the department can at its discretion allow all or part of the expenditure to remain charged to the vote.

On the other hand, if the authority of the Treasury has been contravened, the department has not the power to condone the offence, and can only relieve the offender from the pecuniary consequences with the consent of the Treasury. Failing such consent, and failing recovery of the money, the accounting officer himself becomes personally responsible for the sum involved unless the Treasury relents.

Treasury authority may be contravened by the action not of a subordinate but of the department itself. For that action the accounting officer is held responsible, unless he has received written directions from his superior officer and made his written protest. The error may be due to a perfectly innocent misconception on

some technicality of procedure, or to negligence, or in rare cases to some more blameworthy motive.¹ So long as Parliamentary authority is not contravened, the Treasury has absolute discretion to decide how far to give covering sanction to the expenditure. Any sum for which it refuses sanction has to be reported to Parliament as if it were not chargeable to the vote.

If Parliamentary authority is contravened, the Treasury has no overriding power of sanction. But under Sec. 31 of the Exchequer and Audit Departments Act, if any items are objected to on audit, the Treasury determines 'in what manner the items in question shall be entered in the annual appropriation account.' The appropriation account records *facts*, and if a payment has been irregularly made, it ought not to be excluded from the account, though it may be recorded as a fault (e.g. in a special subhead calling attention to its character).

If an item which is objected to as not properly chargeable to the vote has been sanctioned by the Treasury, or if, when it is referred to the Treasury under Sec. 31, covering sanction is then given, that makes the Treasury responsible instead of the accounting department, but does not wipe out the offence. The wrong can only be righted either by a recovery of the money, or by a vote of Parliament.

Custom has reserved to the Public Accounts Committee the ultimate decision whether a payment is to be regarded as wrong or not. The Committee may condone a payment challenged by the auditor. Sometimes it condemns a payment which the auditor has passed subject to some tentative criticism.

In the case of an actual loss of money by default or accident, it might be contended that the sum lost is not chargeable to any Parliamentary grant because it has not been 'applied to the purpose or purposes for which such grant was intended to provide.' (Exchequer and Audit

¹ Sometimes expenditure is incurred in an emergency in anticipation of Treasury action, and naturally, if the emergency was a genuine one, and the responsible officer acted reasonably, retroactive sanction is readily given.

Departments Act, Sec. 27.) But in practice it has become recognized that some risk of such losses is an unavoidable incident of administration, and the rule is that they may be admitted as a charge against the vote, but only with the consent of the Treasury. Before giving such consent, the Treasury satisfies itself that, if any one was to blame, the appropriate action has been taken either to recover the money, or to punish the offender. In cases where there is evidence of fraud a prosecution may be insisted on.

All such cases of loss of money are reported upon by the Comptroller and Auditor-General, who is at liberty to criticize the decision of the Treasury if he thinks fit.

Cases not of simple loss of money but of waste or extravagance are on a more doubtful footing. Audit does not include criticism of administration. It is not the auditor's business to report that different administrative arrangements could secure the end aimed at by any service at a smaller cost. But he may legitimately report that the *same* administrative arrangements can be carried out at a smaller cost. For if that is so a part of the actual cost is money lost, and is not properly chargeable to the vote. A good instance is to be found in the purchase of articles at more than the market price. But there is obviously room for a good deal of difference of opinion in some cases on the question whether the saving contemplated by the auditor does or does not depend on a change in the administrative arrangements.

In practice disputes on such points are reduced to a minimum, partly because a very sound and cautious tradition has been established at the Audit Office, and partly because in borderline cases departments are by no means inclined to shelter themselves behind technicalities.

Moreover, the Treasury is as much interested in the detection of such abuses as the House of Commons, and there is a general understanding that the auditor may call attention to them, if he pleases, without being subjected to too pedantic a limitation of his freedom. But here as elsewhere, it must be remembered that the Treasury

itself may be caught tripping, and is not exempt from criticism if it condones the misdeeds of other departments.

Thus the Comptroller and Auditor-General is sometimes the ally, sometimes the critic of the Treasury. In practice, however, the Treasury identifies itself so thoroughly with the aims of the audit, that it is rarely criticized, except in cases of legitimate differences of opinion upon merely technical matters. None the less, it remains true that the Comptroller and Auditor-General, as the defender of the financial authority of Parliament, must be prepared to subject every act of the executive to independent criticism, whether the responsibility rest on a minor subordinate, or has been assumed, through the instrumentality of Treasury sanction, by the Chancellor of the Exchequer himself and the Government of which he is a member.

CHAPTER VI

THE NATIONAL ACCOUNTS

ONE of the leading principles of public accounting adopted in the years preceding the passage of the Act of 1866, and embodied in that Act, was that the gross public revenues should be paid into the Exchequer, and all public expenditure should be met by payments from the Exchequer. Till 1854 the expenses of the revenue departments (including the expenses of so important a public department as the Post Office) were met out of the revenue collected, and were never voted by Parliament, so that only the net revenue ever reached the Exchequer. The chief purpose of the change was to bring the departments under the criticism of Parliament, for, as the expenses were still met in the first instance from the revenue collected, and only made good out of subsequent issues from the Exchequer, the innovation

did little or nothing to strengthen Exchequer control. Drawbacks and repayments to taxpayers are still paid out of revenue (Sec. 10 of the Act), since these are not 'expenditure,' and their inclusion on both sides of the account would give a misleading measure of the total revenue and expenditure of the country.¹

The policy of substituting gross figures for net, thus applied to the cases where expenditure had been set off against receipts, was not extended to the cases where receipts were still set off against expenditure. Many departments receive various sums of money in the course of their business, e.g., fees, proceeds of sale of surplus stores, payments for services rendered to Indian or Colonial Governments, and many other classes, regular or casual. Such receipts, being regarded not as revenue, but as a reduction in the true cost to the public of the recipient department, were not paid into the Exchequer, but retained by the department (under the name of 'Appropriations in Aid'), in diminution of the demands it would otherwise make upon the Consolidated Fund. This practice was not disturbed by the Act, but was not expressly ratified.² The omission was thought unsatisfactory, and eventually the practice (which had been very haphazard) was regularized and was given statutory recognition by the Public Accounts and Charges Act, 1891, which not only enacted that money duly appropriated in aid of a vote 'shall be deemed to be money provided by Parliament,' but gave the Treasury authority to direct that any extra receipts (i.e. receipts accruing in connection with a vote) should be dealt with as

¹ This arrangement has never been fully applied to the Office of Woods, which administers the land revenues of the Crown, and only pays the net proceeds into the Exchequer, though, as the department's headquarters expenditure is voted, its policy is subjected to Parliamentary criticism.

² Sec. 10 of the Act, which provides that the gross revenues be paid to the Exchequer accounts at the Bank of England and the Bank of Ireland, refers also to "all other public moneys payable to the Exchequer," but not to the receipts appropriated in aid of votes. Sec. 34, dealing with the audit of accounts other than appropriation accounts, refers to receipts 'either in the nature of revenue or fees of office,' which have to be applied 'to any public service,' but does not pursue further the distinction between revenue and other receipts.

appropriations in aid, even though payable *by statute* into the Exchequer. This enabled something like uniformity to be introduced into the practice.

Lest the system of appropriations in aid weaken Parliamentary control by creating a more or less elastic fund over and above the sum voted for any service, the Appropriation Act prescribes under each vote the amount of appropriations in aid as well as the amount that may be drawn from the Exchequer, and *neither* amount may be exceeded without further authority from Parliament. If the receipts exceed the amount anticipated the surplus cannot be appropriated in aid; if they fall short the deficiency cannot be made good from the Exchequer.

Some departments, even though they are not revenue departments, have receipts in excess of their expenditure. Examples are to be found in departments, like the County Courts, which support themselves from fees. In such a case the practice is to appropriate in aid so much of the receipts as will meet all the expenditure except a nominal amount (say £10 or £15). This nominal sum then appears as the net amount to be voted in Committee of Supply,¹ and the proper opportunity for Parliamentary criticism is thus secured, without the anomaly of taking a substantial vote for a self-supporting department.

Before 1866 if the sum granted for a civil vote turned out to be more than was required, the surplus could be retained by the department which received it for an indefinite time to meet the expenses of the service accruing long after the end of the financial year. The Exchequer and Audit Departments Act strictly confines the expenditure side of the appropriation account to the sums which have actually come in course of payment within the financial year. Consequently, once a financial year is over, no new legitimate charge can accrue against the Parliamentary grants of that year. But the Act says nothing as to how any unspent balance of the sums issued from the Exchequer is to be dealt with; it merely requires an explanation to be sent with the next

¹ This is called a 'token vote.'

appropriation account, showing how the balance has been adjusted. (Sec. 26.) There is nearly always some balance, for every department has to keep within its vote, (increased if necessary by a supplementary vote,) and it is not possible to calculate the expenditure so nicely that every penny voted will be spent (except in the case of a vote confined to one or more grants of agreed and invariable amounts). Nor is it possible to ascertain the true amount of expenditure so exactly on the last day of the financial year as to obtain from the Exchequer just enough and no more, for much of the expenditure is always effected through sub-accountants; though, where savings are substantial, it is usual to leave a portion of the sum voted unissued from the Exchequer. (This is called a 'short issue'.)

In general, there is no legitimate use to be made of an unspent balance, and it is simply surrendered to the Exchequer. If the balance has accrued on a vote for some non-recurrent service, for which no money requires to be voted in the following year, the cash is paid over by the Paymaster-General to the Exchequer, and appears, like any other casual receipt, as miscellaneous revenue. But in the more usual case of a recurrent service, for which a fresh vote is necessary every year, the transfer of cash is avoided; the vote settles accounts with the Exchequer by retaining the unspent balance of the past year in place of an equal amount of the issues to which it is entitled from the Exchequer in the new year. In technical phraseology the balance is 'written off' against the grants for the latter year.¹ What is surrendered is not *money*, but the *authority to spend*. In virtue of the system of writing off, the amount drawn from the Exchequer is kept down to the amount actually spent, though the adjustment is never exact, because the surrender in respect of one year's vote is not made till the expenditure of the next year's vote is in progress. The appropriation account accounts for so much of the Parliamentary authority to spend as has been used; the writing off of

¹ In the case of a 'short issue' the balance unissued is said to be written off against the grants of the same year.

balances accounts for the rest. Between them they account exactly for the whole. Details of the Exchequer issues and of the writing off of balances are given in the annual Finance Accounts.¹

It sometimes happens that it is convenient for quite legitimate reasons to defer the surrender of an unspent balance, and the Act of 1866 is elastic enough to allow that course, provided the necessary explanation is given with the next appropriation account. But such cases are very rare.² Surrender in the succeeding year is the well-recognised rule.

The rule has been much criticised. It is said that when a department has secured a certain amount of money from the Treasury and from Parliament for the financial year (perhaps not without a struggle) it will be reluctant to leave a part unspent, and will hasten, towards the close of the year, to devise means of using up any balance which would otherwise have to be surrendered. The criticism cannot be dismissed as trifling, based though it is on an abject misconception of the position alike of the Treasury and of all other departments. Human nature is frail, and official human nature does sometimes forget that the settlement of the expenditure to be incurred on a service is not a battle-ground for contending departments but a matter of public policy to be decided by the servants of the public in the public interest. Against such lapses from duty and from common sense no system can be proof, and in reality the principle of surrender of unspent balances works on the whole very well.

¹ The periodical published accounts of revenue and expenditure are really accounts of Exchequer receipts and issues. The promptitude with which these accounts appear is sometimes said to be due to the accounting system which charges to each year the expenditure which comes in course of payment in the year. That is not so. The Exchequer issues represent the daily needs of each of the departments, whether for final expenditure or for imprests to sub-accountants. As it is a rule to keep down balances in the hands of departments to a minimum, issues and expenditure do not differ very widely under ordinary conditions. But this was not so during the War.

² The Ordnance Factories Vote is one (see P.A. C. Second Report of 1896). On one occasion the National Health Insurance Commission Vote was allowed to suspend surrender. (See Finance Accounts for 1914-15 and 1915-16, and Appropriation Accounts for 1913-14.)

The criticisms proceed perhaps from a very prevalent exaggeration of the importance of the Estimates in the system of financial control. As we have seen, the primary control of the expenditure of departments is exercised not through the Estimates at all, but through the grant of Treasury sanction for each departmental activity when it is first undertaken. When all the services performed by a department have been authorized, the estimate becomes merely a forecast for the purpose of obtaining a vote from Parliament, and has little significance for the purposes of the control of expenditure, except as, in some cases, regulating the rate of progress. Undoubtedly enterprising departments like to have disposable margins, to enable them to initiate new services out of savings on their votes in the course of the financial year. But such new services in any case need Treasury sanction, while, if they are of material importance, and there is really a good reason for starting them before the end of the year, a supplementary estimate is justified. The reason more often alleged for using up balances to avoid surrender is that a shortage of expenditure in one year will be used as an argument for a corresponding reduction of the estimate in the next. Undeniably a heavy saving calls for explanation. If it really is due to the annual rate of expenditure being less than was expected, the department concerned ought to welcome the reduction. If, on the other hand, it is due to payments which, in any case, have to be made, failing to mature so quickly as was expected, the shortage of expenditure in one year is a reason for an increased vote in the next. All that is necessary is to convince the Treasury of the facts. A revote, that is to say the repetition in a second year of a vote which has not been spent in the first, is a common enough feature of the estimates.¹ Real difficulty is caused when the failure

¹ Revotes are not usually large enough to affect the budget. In 1912, however, heavy savings having been realised on Navy Votes, owing, not to any real reduction of expenditure, but to delay in carrying out the shipbuilding programme, a part of the realised surplus of revenue over expenditure was kept in hand to provide for overtaking the arrears.

to spend cannot even be foreseen by the time the estimate for the coming financial year is closed early in February. But this is a rare case, and, when it occurs through really unavoidable causes, it is a sufficient ground for a supplementary estimate. Sometimes departments speed up business so as to bring sufficient payments into the current financial year in order to use up savings. Such a practice does not square with the theory of our financial system, which assumes that the normal course of business determines the date of every payment, without any sort of manipulation. But when it is only the date of payment that is affected the abuse is not a very heinous one; especially is it venial when the payments have been expressly provided for in the financial year, so that if they do not mature the calculations on which the estimates for both the current and the following years were founded will be disturbed.

Nevertheless the system of surrendering unspent balances is on the whole unpopular, and devices have been resorted to to evade it. The principal one is that of the grant in aid. Originally a grant in aid was a grant to some agency administering other funds for a purpose which the Government desired to assist. It might be undesirable to require the recipients to have all their transactions audited over again on behalf of the Government as a condition of the grant, and even if they were it would be impracticable to enforce the doctrine of surrender when the grant was merged in the other funds. It was ruled, therefore, that the grant was technically 'spent' when paid to the recipients, and their receipt for the sum was accepted as a sufficient evidence of payment, without requiring the expenditure of the grant to be vouched in detail. This system was found applicable in a great variety of different circumstances, and eventually came to be adapted to funds wholly in the hands of Government departments. A deposit account is set up in the name of the department, and the estimate provides for the payment of a certain sum to that account. Once so paid, it has been technically spent, and any balance remaining in the account at the end of the financial year can be carried forward to the

next year.¹ A Minister who is starting a new service likes to name a definite annual sum to be provided for it, and it is very awkward to find at the end of the first year that ninety per cent. of it has to be surrendered unspent to the Exchequer owing to unforeseen initial delays. The grant-in-aid system is a convenient refuge in such cases. But to exempt the expenditure out of the deposit account from Treasury control, as is sometimes done in order to give the department concerned a 'free hand,' is the very negation of a financial system. It is so, not because the fixed grant will necessarily be excessive, but because the future financial provision for the service has to be settled at a time when its real needs cannot possibly be accurately measured. The Minister chooses a fixed grant in aid just because he is in a hurry, and cannot estimate how much must be provided if the service has to be dealt with on its merits in the ordinary course.

In reality the service is as likely to be starved as to be too liberally endowed. But in the end the tendency is to cause a waste of money, because if the grant is excessive, means will easily be found of spending the whole, while if it is inadequate a case can be duly made out for an increase as soon as experience has been obtained. And it is all the easier to make out the case if the department has a 'free hand' to enter into commitments.

The orthodox exponents of our financial system have always looked askance at grants in aid, not so much because they lend themselves to these evasions of Treasury control, as because they infringe Exchequer control. The purpose of Exchequer control is to enforce the power of Parliament over the executive by withholding funds except on a due grant of ways and means. If the Government has a number of little pockets in the form of deposit accounts containing unspent balances, it may be able to defy Parliament for a time. So long as the aggregate of the balances is small compared with the year's ways and means, no harm is done. It might be supposed that if payment from a vote to a fictitious payee in the guise

¹ Such accounts are of course audited by the Exchequer and Audit Department.

of a deposit account is ever legitimate as a final charge upon the vote, it is always so, and that therefore the Government could surreptitiously extend the system till nearly all votes had become practically non-surrenderable. But a customary rule has come to be recognised that no grants in aid may be paid from any vote unless their existence is mentioned in the title of the vote itself,¹ and further that the sums paid as grants in aid must in no case exceed those specified in the Estimates presented to Parliament. This is another example of the manner in which the details of estimates, presented for information only, have acquired by custom a binding force.

One civil vote has escaped the doctrine of surrender altogether, but it is confined to certain very limited purposes. This is the Civil Contingencies Vote, which has had a continuous existence since before the rule of surrender of unspent balances was adopted. It was exempted from the rule and the unsurrendered balance was allowed to constitute a fund, out of which certain miscellaneous payments can be made, and which is always restored to a fixed amount by taking votes to make good the payments made from it. The payments fall into two classes; first, those which, being appropriate to some other vote (either an existing vote or a new one), must be made good from such a vote in the *same* financial year, and secondly those which are not appropriate to any existing vote, and are too trifling to justify a series of separate new votes, and which are made good from a special vote for 'Repayments to the Civil Contingencies Fund' in the *next* financial year.² The former use of the fund enables the Government to tide over any casual interval that may intervene, owing to Parliamentary exigencies, before the voting of funds for an urgent service. The latter use provides a vote for those miscellaneous services

¹ e.g. 'For sundry colonial services, including certain grants in aid.' (Class V, Vote 2.)

² It can also be used to meet some classes of payments recoverable from other sources than votes, e.g. some charged on the Consolidated Fund and advanced before they are technically due.

of a kind which cannot be estimated beforehand.¹ The amount of the Civil Contingencies Fund was raised from £120,000 to £300,000 in 1912.

The Treasury Chest Fund, which provides the working capital for remittances abroad, is in some respects similar to the Civil Contingencies Fund, and, like it, is the survival of a former non-surrenderable vote, that for Army Extraordinaries.

There remains one other form of non-surrenderable grant. Money is sometimes provided for capital expenditure (e.g. extensions of the telephone system, or the erection of public offices) not by a vote, but by a special Act, which authorizes the issue of a prescribed total sum from the Consolidated Fund without any limitation to a particular financial year.² Such expenditure is usually provided for outside the budget, either by the setting aside of a portion from a realized budget surplus (which can always be diverted by a special clause in the Finance Act from its statutory destination, as 'old Sinking Fund,' for the redemption of debt) or, failing any such windfall, by a special borrowing clause. The accounts of the Consolidated Fund still show sums being issued, for example, from the old Sinking Fund of 1910-11 for grants for the erection of sanatoria (for in theory the surplus revenue diverted ten years ago from the repayment of debt has been reposing ever since in Exchequer balances, whatever financial cataclysms may have intervened).

These issues under special Acts form the nearest equivalent to a capital account, or extraordinary budget, which our financial system has to show. But they do not exhibit much consistency or method. At one time they were being used on a large scale for naval and military works. The exclusion of this expenditure from the ordinary votes of the year meant that for budget purposes the cost of the Army and Navy was understated, and as a set-off it was

¹ There is also a vote for Miscellaneous Expenses, *eo nomine*, but services not expressly provided for in it are not charged to it.

² These grants are only exempt from *annual* surrender. Any balance remaining after the final completion of the service for which the grant is destined must be surrendered.

stipulated that the votes for subsequent years should bear the interest and sinking fund on the money borrowed till the capital liability was paid off. If the estimates are nothing more than an age-long battle-ground between the Treasury and the fighting departments, there might have been some logic in this. But the logic rather faded away when the system was changed in 1906, and the full cost of works to be executed during the year began to be provided in the votes. In 1914, for example, the Army and Navy Estimates provided both for the cost of new works, and *also* for interest and sinking fund on the cost of works completed years before. If critics, both here and abroad, were misled into believing that our expenditure on armaments was greater by £2,000,000 than it really was, it was little compensation that a few years before they had been as much or more misled in the contrary direction.

In the case of expenditure on revenue-yielding services, such as telephones, there is a better reason for charging the vote with an annuity for a term of years instead of with a capital sum, but even there the introduction of a commercial account does all that is required, and it is hardly necessary to hide away part of the national debt charges in the Post Office Vote.

Before leaving the subject of the National Accounts, a few words are required on the subject of commercial accounts and expense accounts. A vote account is composed, as we have seen, simply of the payments that happen to come in course of payment in the financial year. It is not intended to be a statistical statement of expenditure. Nor is the classification of expenditure into votes, or of each vote into subheads, designed to be a scientific analysis of public expenditure. The classification follows the exigencies of administration, and seldom shows clearly the true and complete cost of any particular service.

The most conspicuous example of the shortcomings of this rough-and-ready system was to be found in those naval votes which included the cost of shipbuilding and the repairs and maintenance of the fleet. For the dock-yards, there was a vote for labour and a vote for the

purchase of materials. There was a separate vote for shipbuilding by contract. Each vote was divided as usual into subheads. But what was the use of dividing the vote for materials, for example, under such heads as 'masts and timber,' 'metals and metal articles,' etc.? The principle of classification was utterly uninforming, and, in order that they might know what they were doing, the Admiralty had to keep an entirely different set of accounts, in which both labour and materials were classified according to the purpose for which they were used. In these accounts, called the Expense Accounts, the cost of shipbuilding was clearly separated from the cost of repairs and maintenance; fuel for ships in commission was separated from fuel for use in the yards; the cost of each ship under construction, and the cost of each ship under repair was calculated; the value of stores and materials actually used was shown, instead of the cash outlay on those that happened to be bought in the course of the year. In 1889 the Expense Accounts received statutory recognition in the Army and Navy Audit Act, and a programme, showing the anticipated expenditure classified on that basis, is appended to the Navy Estimates of the year (though the old votes and subheads still remain in the body of the estimates). An appendix on similar principles, but with no statutory basis, has been added to the Post Office Vote, analysing the expenditure on the maintenance, renewal, and extension of the telegraph and telephone systems.

Recently the principle of Expense Accounts has received a notable extension. On the recommendation of the Select Committee on National Expenditure (Seventh Report of 1918), the Army Estimates have been completely recast. There used to be fifteen Army Votes, one for pay, another for quartering, transport and remounts, another for supplies and clothing, another for armaments, and so on. Under the new system there are seven 'Heads,' viz.: I. the Standing Army; II. the Territorial and Reserve Forces; III. Educational Establishments, Hospitals, Depots, etc.; IV. War Office and Staffs; V. Capital Accounts (i.e. stock accounts and

new works) ; VI. Miscellaneous ; and VII. Non-effective. One of the most valuable features of the classification is that the cost of the standing army is divided up according to the localities in which the troops are stationed. The approximate cost of every separate class of regiments is also stated. It is of little use for Parliament to have the pay of the Army as a whole distinguished from the cost of supplies and clothing as a whole ; it is of real value to know the cost of the Mesopotamian garrison, or the relative costs of cavalry and infantry, machine gun corps and tank corps. These are the items which figure in calculations of military policy, and it is they, therefore, that should figure in calculations of financial policy.

The Select Committee recommended that the Civil Service Estimates should be similarly reformed, so as to show the true total cost of every separate service. Here, however, there is for various reasons much less need of a change. The multiplicity of votes, corresponding to real administrative subdivisions, is sufficiently adapted to the purposes of financial control. If the cost of a department is not so analysed as to show the cost of each of its functions separately, that is often because such an analysis would not be possible except in an entirely hypothetical and artificial manner. Even in the new Army Estimates no attempt is made to apportion the cost of the War Office among the several services administered. Footnotes to the estimates already show in the case of each department what provision is made for it in other votes (e.g., office accommodation, stationery, postal services, etc.). The estimates for public works and buildings already distinguish new works from maintenance. Thus much of the information required for the control of financial policy is already supplied. And the question is really only one of the supply of information.

CHAPTER VII

CONTROL DURING THE WAR

MANY people suppose that there was a great relaxation of financial control during the War. This is, in some respects at any rate, quite a mistake. The War meant a sudden and complete change in financial policy. It meant that the various purposes for which public money was being spent in peace time gave way to one paramount end, the prosecution of the War. In the case of each civil department the problem was to adapt it to perform some service directly or indirectly related to this single end, and to cut down all its other activities to a bare minimum. On the other hand, the fighting departments were given in many respects a free hand. The doubtful borderland that separates proposals which, from the standpoint of financial policy, are certainly right from those which are certainly wrong, was given a new orientation. A new front had to be taken up; on one flank civil expenditure had to retreat as far as social exigencies would permit; on the other warlike expenditure was let loose and was urged to push its advance to the utmost limit of the national resources.

Notoriously war begets extravagance. People who hold responsible posts, not only military but administrative, have to concentrate their attention upon the means of gaining an advantage over the enemy. Many who are selected for such posts, though well qualified for this paramount duty, know little of finance. And yet heavy financial responsibilities have to be delegated to them. The result is bound to be that side by side with the financial sacrifices, which, though disproportionate according to peace-time standards, are quite legitimate in war, there is much waste.

In the Great War, Treasury control over details was certainly relaxed at some points. But in any case waste can only be prevented by the internal efficiency of

spending departments. On the important issues of financial policy the unifying influence of the Treasury was kept steadily at work. Rapid decision was facilitated by the creation of small authoritative joint committees to settle the affairs of each of the great spending departments day by day.

The ordinary machinery of estimates was quite inappropriate to war conditions, and recourse was had, as in former wars, to the system of Votes of Credit. A vote of credit was for 'expenses, beyond those provided for in the ordinary grants of Parliament, arising out of the existence of a state of war.' The 'ordinary grants of Parliament' provided for civil services on a peace basis, while for the fighting departments, after 1914-15, they provided only 'token votes' of a nominal amount. Consequently, the Vote of Credit bore the whole cost of national defence, together with whatever additional expense was thrown on civil departments by the war. Votes of Credit were taken, not for a whole year, but for two or three months' requirements at a time, and ways and means were granted at similar intervals to keep pace with them.

A vote of credit has no *subheads*. This meant that the ordinary principles of estimating were in abeyance so far as war expenditure was concerned. For war expenditure, which was the only expenditure that mattered, every vote could be supplemented *ad libitum* from the Vote of Credit, so that what we have called the detailed veto of Parliament on expenditure became inoperative. This circumstance is pointed to as evidence that financial control itself was relaxed. But we have seen that the estimates play in reality a very subordinate part in financial control. Parliament did not see the Government's financial programme, but that did not mean that the programme did not exist.¹

Nevertheless, it is true that the principles of our

¹ Towards the end of the War it became the practice to present to Parliament an analysed forecast of a part of the expenditure from the Vote of Credit, though there were still no subheads in the technical sense. (See Cd. 9031 of 1918.)

financial system were roughly handled during the War. For example, inroads were made both on the doctrine of surrender and on that of appropriations in aid. Any surplus on the Vote of Credit itself remaining at the end of the financial year was indeed surrendered according to rule. But a note to the estimate for the Vote of Credit stated that in the case of certain services, e.g. trading accounts, where there were receipts to set against the expenditure, only the net expenditure would be charged to the vote, and a surplus balance standing to the credit of the account would be surrendered on the account being finally closed. The turnover of some of the trading accounts was enormous. In 1918-19, for example, the Wheat Commission spent over £300,000,000, and as the receipts exceeded the expenditure, not a penny of this sum was voted by Parliament either as a charge upon the Exchequer or as an appropriation in aid. This waylaying of receipts, in striking contravention of the Consolidated Fund system, may serve as a reminder that the greater part of our financial system rests on *annual* legislation, the form of which is merely a matter of practice and can be altered at any time if Parliament so desires. The departures from precedent during the War were not entirely due to the exigencies of war expenditure itself. They were also in part traceable to the real inapplicability of the Exchequer system to trading accounts. Where a department's receipts and expenditure are *both* considerable, Exchequer control becomes ineffective; receipts are in practice applied to expenditure without passing through the Exchequer, except (as in the Post Office) by a book-keeping fiction. This does not mean that the existence of large trading accounts necessarily reduces Exchequer control to a nullity. That control can still bring all *other* departments to a dead stop, unless the trading departments are in a position to assist them with funds in lieu of ways and means. In the case of the Post Office that would be a definite diversion of revenue from the Exchequer;¹ in the case of the Vote of Credit trading accounts, though

¹ See above, p. 27.

only the net receipts, if any, are due to the Exchequer, it would be equally unconstitutional in substance, though not in form.

Though no Votes of Credit have been taken since March 31, 1919, some of the trading accounts are still in existence, and power has been obtained under the Civil Contingencies Fund Act, 1919, to use that fund to provide them with working capital. An issue of £64,500,000 has been made under the Act from the Exchequer to the fund. When the accounts are wound up and the grant is repaid, the fund will revert to its former limits.

CHAPTER VIII

CONCLUSION

AMONG the leading principles which emerge from an analysis of our financial system we find this, that the purpose of Parliamentary control is constitutional, while that of Treasury control is administrative. If Parliament has a say in financial policy, that is because it has control over the Government. Though it votes the money for each public service, that does not mean that Parliament itself measures how much money each service ought to have. The Government does that. Parliament's consent is required for the Government's programme, and it can reduce the provision for any service if it chooses. But its power is *negative*, and that is why we have called it a 'veto' upon expenditure. This veto is not intended solely or primarily to empower Parliament to impose greater economy on the Government; it is of more fundamental import, for it gives Parliament the power to dictate the policy of the administration, not merely in finance, but in all matters. And in finance Parliament has the power to dictate, not merely a reduction, but an *increase* of expenditure; it can refuse to pass a vote (or,

according to the more usual procedure, can reduce it by a nominal amount) on the ground that it is inadequate. If Parliament cannot impose its views upon the Government through votes in supply (the detailed veto), it can insist on a change of Government. In practice this is effected by a vote of want of confidence, but such a vote rests ultimately upon the power of withholding ways and means (the general veto).

Economy is not the special mission of the House of Commons. It is only one of the many public interests that the House has to take into consideration in criticizing administration. But from time to time, when the country is in financial difficulties, economy rises into a predominant position and temporarily claims the first place. The constitutional method of proceeding is then to put into office a Government which reflects the desires of the House. The Government must choose which services to cut down, and its organ for making the selection will be the Chancellor of the Exchequer and his department, the Treasury. Here begin the difficulties. There may be an overwhelming majority of members of Parliament in favour of cutting down expenditure, but there yet may be no one item of expenditure for the reduction of which a majority can be found. This is not a metaphysical paradox, but a very practical reality. The reason why financial policy is so baffling is that expenditure is not an organic unity, but a mere arithmetical aggregate. Each separate item in the aggregate has been included on account of its merits, and if it is to be suppressed or reduced it must be shown to be less desirable than its rivals. In this comparison of items and the resulting selection of those to be reduced or increased is the essence of Treasury control over financial policy. But the Treasury is the agent of the Chancellor of the Exchequer, as he is that of the Government, and the Government that of Parliament. How is the amorphous will of Parliament to be expressed? The problem is not peculiar to financial control. It constantly arises in Parliamentary Government. The solution is *leadership*.

The Government is formed from the leaders of organized

opinion in the House of Commons. If left without guidance, the members of a representative assembly will pass a series of disconnected and partial measures reflecting different points of view. It is the business of leaders to weld the individual opinions of their followers into consistent policies, so that they may be confronted with clear and complete alternatives. The individual member is satisfied with his leaders' measures because it is better to secure a second-best policy in its entirety than to run the chance of the partial and fragmentary adoption of the best.

If the policy of the majority is one of retrenchment, it is for the leaders to devise a programme which their followers will accept. The leaders must instruct the followers ; they must tell them where economies can be made, and what will have to be sacrificed. There will be many different methods of economy. One party will want to reduce the cost of the fighting forces ; it must accept a curtailment of military enterprise. Another will want to reduce expenditure at home ; it may propose, for example, a reduction in the expenditure on social welfare. The real subject matter of a policy of economy consists in the detailed choice of the items of retrenchment. Without details the policy is as meaningless as a ' vigorous foreign policy,' or a ' policy of social reform,' without any further definition.

To make the detailed choice, adequate *information* is the first essential. Needless to say it is impossible for political leaders, let alone their followers, to examine details of expenditure with the same minute scrutiny as a Government department organized for the purpose and devoting to it the whole energies of a considerable staff. What they can do is to enunciate principles of selection, which will determine what kinds of things they are prepared to sacrifice in the interests of economy ; but these principles do not acquire significance till it is shown what are the principal services which will have to be abandoned or curtailed by their application, and how much money will be saved by each.

Private members, anxious for more information, press for

the appointment of committees to examine expenditure. Such committees accomplish little, because they are invariably precluded by their terms of reference from dealing with questions of policy. Their attention is thus diverted to matters of economy in administration. That every function of government should be conducted in the most economical manner is a principle that commands universal assent. And it is probably true that any body of capable and public-spirited critics, commissioned to examine the infinite complexities of Government departments, would find openings for the saving of money without sacrificing any of the services that the departments perform. But under present-day conditions the order of magnitude of such savings is limited. They do not go far towards framing a policy of retrenchment.

Select committees are thus restricted in their reference lest any recommendations on a question of policy should impair the doctrine of the responsibility of the Government to Parliament. A Government can always ask for guidance from a committee on any question of policy on which its mind is not made up. But it cannot accept the recommendations of a committee appointed at the instigation of its critics except in regard to non-controversial matters. Such a committee has no more information at its disposal than the Government itself; if it arrives at a different conclusion from the Government, and if its conclusion is accepted, that is an admission that the committee had better judgement than the Government, and to that extent the Government is not deserving of confidence. Committees that do the business of Government over again, and do it differently, are an alien excrescence on responsible Parliamentary Government.

This does not mean that the formulation of a policy of retrenchment is exclusively the business of the Government. It is the business of the political *leaders*, in opposition as well as in office, and they may be as much influenced by their followers as in any other questions of policy. What is essential is that an organized party should agree on the details, just as they would agree on the details of any piece of legislation in their programme.

The fact that money is voted in committee of supply does not differentiate public expenditure from any other branches of administrative policy. All alike are controlled by Parliament through the general principle of Ministerial responsibility. The power of Parliament over Ministers rests, as we have seen, upon the grant of ways and means.

It is so long since any Government has ever dreamed of challenging this power that there is a real danger that the very purpose of its constitutional safeguards may be forgotten. As we have seen, there are means of evading or circumventing Exchequer control. So ignorant and indifferent is public opinion on the subject that an unscrupulous Government which used those means could probably meet the protests of constitutional purists with the answer that the whole public service cannot be brought to a standstill on account of a technicality. Established institutions are not so firm that they can rest on custom and claim no support from law. Votes in supply are no substitute for Exchequer control; subsequent punishment is no substitute for prevention. And a Government which insisted on spending money without authority from Parliament would almost certainly escape punishment unless public opinion were alive to the full significance of the offence. Parliamentary Government is not so universally respected that those who desire to retain it can afford to dispense with the safeguards upon which it has always rested. It may be that in the course of constitutional evolution Parliamentary Government will give way to some other system. But for the present no alternative has appeared in the realm of practical politics.

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